

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04

H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 COME-00 EB-07 LAB-04 SIL-01

TRSE-00 OMB-01 /090 W

-----030734Z 105258 /21

R 030610Z MAY 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 3623

INFO AMEMBASSY ABU DHABI

AMEMBASSY ATHENS

AMCONSUL DHARAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY ROME

AMEMBASSY TAIPEI

AMEMBASSY TEHRAN

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EO 11652: N/A

TAGS: ELAB PFOR EGEN BGEN SA KS

SUBJ: LIMITS ON SAUDI IMPORT OF KOREAN LABOR

REF (A) JIDDA 2012, (B) ROME 4571, (C) DHAHRAN 0440

BEGIN SUMMARY: MINISTER OF CONSTRUCTION (MOC) SHIN KYONRL SHIK, IN A CONFERENCE WITH KOREAN CONSTRUCTION FIRM REPRESENTATIVES ON APRIL 23, 1977, IS REPORTED TO HAVE STATED THAT THE ROKG "WILL STRICTLY CONTROL THE EMPLOYMENT OF SKILLED KOREAN WORKERS ASSIGNED TO CONSTRUCTION PROJECTS ABROAD BY FOREIGN COMPANIES." SHIN'S STATEMENT

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APPEARS TO RESOLVE SOME OF THE POLICY AMBIGUITY SURROUNDING THE SUPPLY OF KOREAN WORKERS TO FOREIGN FIRMS FOR PROJECTS REQUIRING SKILLED LABOR. ON THE OTHER HAND, THE QUESTION REMAINS UNANSWERED WHETHER MAJOR KOREAN CONSTRUCTION FIRMS, OR A FIRM, MAY HAVE INFLUENCED NSAG AUTHORITIES TO PLACE VISA OBSTACLES IN ORDER TO ASSURE CONTINUED LABOR COST ADVANTAGE OVER

THIRD COUNTRY COMPETITION FOR BIDS AND/OR KOREAN WORKERS. IN A RELATED ISSUE, INCIDENTS AT OVERSEAS WORKSITES HAVE TURNED ROKG ATTENTION TO LABOR WELFARE AND TO CORRECTIVE MEASURES WHICH MAY HELP EASE THE PROBLEMS OF US FIRMS SEEKING TO CONTRACT FOR UNSILLED OR SEMI-SKILLED KOREAN LABOR. END SUMMARY.

1. IN THE COURSE OF A VISIT TO BAHRAIN, SHIN INFORMED KOREAN FIRMS THAT TO REINFORCE ITS CONTROL OVER THE SUPPLY OF SKILLED LABOR TO FOREIGN FIRMS, ROKG WOULD CONTROL FOREIGN TRAVEL BY SKILLED WORKERS NOT IN TRANSIT TO FOREIGN FIRMS, AND WOULD "STRICTLY REGULATE" ATTEMPTS BY SKILLED CONSTRUCTION WORKERS TO CONCEAL THEIR SKILLS, OR TO USE SUBCONTRACTS AS A RUSE, TO JOIN FOREIGN FIRMS. (LATTER TWO PRACTICES HAVE BECOME A POPULAR MEANS OF CONTRAVENING MOC EFFORTS TO AVOID DRAIN OVERSEAS OF SKILLS IN SHOTR DOMESTIC SUPPLY.)

2. IN LATE MARCH, ON THE BASIS OF FIRST TWO REFTELS, EMBOFFS INFORMALLY CONSULTED POLICY LEVEL OFFICIALS IN THE OFFICE OF LABOR AFFAIRS (OLA), AS WELL AS IN QUASI-GOVERNMENTAL LABOR SUPPLY ORGANIZATIONS, ECONOMIC PLANNING BOARD (EPB) AND MINISTRY OF FOREIGN AFFAIRS (MOFA) TO (A) DETERMINE THE POLICY OF ROKG TOWARD SUPPLY OF LABOR TO AMERICAN FIRMS FOR OVERSEAS PROJECTS, (B) INFORM THEM OF THE INTEREST AND RESPONSIBILITIES OF THE U.S. CORPS OF ENGINEERS OVER QXSAUDI MILITWVY PROJECTS, (C) ALERT THEM TO POSSIBLE COLLUSION BY KOREAN FIRMS AND SAG OFFICIALS IN THE MID-EAST, AND (D) ENCOURAGE ALLEVIATION OF DIFFICULTY FOR U.S. FIRMS IN PIRING KOREAN LABOR.
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3. EMBASSY INQUIRIES HAVE LED TO CONCLUSION THAT IN ROKG REVIEW PROCESS, POSITIVE POLICIES OF OLA AND EPB TOWARD MAXIMIZING EMPLOYMENT AND FOREIGN EXCHANGE RETURNS BY PLACING AS MANY WORKERS OVERSEAS AS POSSIBLE, WERE BEING BALANCED BY FOREIGN MINISTRY AND MINISTRY OF CONSTRUCTION CERN THAT THE COMPETITIVE POSITION OF KOREAN FIRMS NOT BE WEAKENED BY ALLOWING THIRD COUNTRY EMPLOYERS TO DRAW DOWN SPECIFIC SKILLED LABOR POOLS FASTER THAN SUNQ SKILLS COULD BE REPLACED OR BY EXCESSIVELY BIDDING UP THE COST OF LABOR TO KOREAN FIRMS. ROKG POLICY ON SUPPLY OF LABOR TO AMERICAN OVERSEAS FIRMS, THEREFORE HAD BECOME AMBIGUOUS, AND RELATED TO THE SPECIFIC REQUIREMENTS OF THE LABOR CONTRACT FOR EACH PROJECT. NEVERTHELESS, THE ROKG LABOR CONTRACT REVIEW PROCESS ASSURES SUFFICIENT CONTROL OVER PERSONNEL OUTFLOWS SO THAT REFERENCE TO SAG OFFICIALS BY ROKG TO LIMIT VISAS WOULD BE UNNECESSARY AS WELL AS INAPPROPRIATE. ON THE OTHER HAND, ROK CONSTRUCTION FIRMS MIGHT BE EXPECTED TO HAVE FOUND IT IN THEIR INTERESTS TO USE ANY INFLUENCE WITH SAG OFFICIALS TO RESTRICT VISAS IN ORDER TO CURB KOREAN LABOR SUPPLY

TO THIRD COUNTRY FIRMS. WHEHTER KOREAN FIRMS HAVE INSTIGATED
SAG VISA BLOCKAGES TO KEEP WAGE RATE ADVANTAGFE TO THEMSELVES,
DISTURBANCES SUCH AS THAT REPORTED REFTEL (A) HAVE AROUSED
SERIOUS ROKG CONCERN FOR THE WELFARE OF KOREAN WORKERS AND
HOW IT AFFECTS ROK'S FOREIGN IMAGE.

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4. BASED ON THE INVESTIGATIONS OF MINISTER OF CONSTRUCTION
SHIN KYONG-SHIK, MINISTER OF HEALTH AND SOCIAL AFFAIRS SHIN HYON-
HWAK, AND DIRECTOR GENERAL OF THE OFFICE OF LABOUR AFFAIRS (OLA)
CHOE SOK-WAN AND OTHER RANKING OFFICIALS WHO VISITED SAUDI
ARABIA TO LOOK INTO THE CAUSES OF LABOR DISTURBANCES AT HYUNDAI
PROJECTS, THE ROKG BEGINNING IN MID-APRIL INSTITUTED MEASUES TO
PROTECT KOREAN WORKERS AT OVERSEAS SITES. (BEGIN UNCLASSIFIED)
OLA ISSUED NEW GUIDLINES ON APRIL 15 OGVERNING THE TREATMENT OF
WORKERS ABROAD. ALL OVERSEAS FIRMS WERE ORDERED TO ESTABLISH
COUNCILS OF FIVE WORKERS AND FIVE MANAGEMENT REPS. ON SITE TO
HANDLE GRIEVANCES. DOMESTIC LABOR STANDARD LAWS WILL APPLY
ABROAD AND ANY FIRMS PLAYING LESS THAN WHAT COMPARABLE DOMESTIC

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OR FOREIGN FIRMS PAY TO KOREAN WORKERS MUST STANDARDIZE PAYMENTDR
ON THE "AVERAGE LEVELS" IN THE (OVERSEAS) FIELD ACCORDING TO
OCCUPATIONAL SPECIALITY. FIRMS ARE REQUIRED TO IMPROVE THE WEL-
FARE AND HEALTH OF EMPLOYEES BY PROVIDING MORE MEDICAL PERSONNEL
AND RECREATIONAL FACILITIES ON SITES. OLA INSPECTORS (SIX IN
SAUDI ARABIA, THREE IN HVAN AND ONE EACH IN BAHRAIN AND KUWAIT)
HAVE BEEN INSTRUCTED TO VISIT SITES MONTHLY TO MONITOR LABOR
RELATIONS AND ENFORCE WAGE CONTRACTS. AS THE BASIS F JHN
ENFORCEMENT, OLA HAS DISTRIBUTED A STANDARD INDIVIDUAL LABOR
CONTRACT FORM DRAFTED IN SIMPLE AND COMPLETE DETAIL WHICH OLE
WILL REVIEW BEFORE WORKERS CAN BE SENT OVERSEAS. THE CONTRACT
IS TO BE QUADRUPLICATE WITH COPIES FOR THE WORKER HIMSELF,
OLA, THE EMPLOYER AND THE FINAL COPY WILL BE SENT TO OLA'S
LABOR ATTACHE FOR THE PROJECT TO WHICH THE EMPLOYEE IS BEING
SENT. (END UNCLASSIFIED) OLA OFFICIALS HAVE INFORMED EMBOFFS
THAT THEIR AUTHORITY OVER OVERSEAS LABOR CONDITIONS HAS BEEN
STRENGTHENED. THEIR REFORMS ARE PARTICULARLY DIRECTED AT KOREAN
FIRMS, ESPECIALLY HYUNDAI CONSTRUCTION, BECAUSE AMERICAN
AND OTHER FIRMS HAVE BEEN PAYING TOP WAGES AND LIVING UP TO
THEIR CONTRACTS.

5. EMBASSY COMMENT: BARRING DRACONIAN MEASURES, MOS
CANNOT POSSIBLY CONTROL DRAIN OF SKILLED WORKERS EFFECTIVELY
WHERE OVERSEAS WAGE LEVELS FOR UNSKILLED LABOR ARE MULTIPLES
OF DOMESTIC SKILLED RATES AND WHERE IT IS STILL IN THE NATIONAL
INTEREST TO RELIEVE UNDEREMPLOYEMNT AND POPULATION DENSITY BY
FURNISHING UNSILLED MANPOWER. TO THE EXTENT THAT ROKG WAGE AND
WELFARE REFORMS RESULT IN STANDARDIZING WAGES PAID BY KOREAN
CONSTRUCTION FIRMS UPJRRD, THEY WILL IMPROVE THE COMPETITIVE
POSITION OF NON-KOREAN BIDDERS AND THUS HELP ERODE THE
BASIS FOR SAUDI VISA BLOCKAGE WHICH HAS TROUBLED U.S. FIRMS.
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Decaption Note:
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Disposition Date: 22 May 2009
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